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HAP Amendment Language

New review requirements have been issued by the Office of Asset Management, for program participants, concerning financial statement reporting. Among other things, the HUD Project Managers are required to review the Section 8 HAP contracts of all proposed transfers of uninsured properties to determine if they contain a provision for financial reporting (24 CFR, Part 5, Subpart H) and physical inspection standards (24 CFR Part 5, Subpart G and Part 2000, Subpart P). For HAP contracts of uninsured and insured properties that lack either of these two provisions, the Department's consent to the assignment will be conditioned on the buyer's agreement to amend the HAP contract to subject the owner to these requirements.



Although the Office of Housing and Office of General Counsel do not prescribe a form to be used for a full assignment of a Project-Based Section 8 HAP Contract, a document entitled "Assignment Assumption and Amendment Agreement" has been provided to the HUD Program Centers for use in such transfers. Because it is designed, in part, to convey Departmental consent to the full assignment of the HAP contract, the document will be executed by HUD only after execution by the seller and buyer. If the buyer does not agree to the HAP contract amendments, HUD will not consent to the HAP contract assignment.

On-Line Grant Applications

All applicants for HUD grants, cooperative agreements, capital fund or operating fund subsidies, capital advances, vouchers, and other financial assistance awards must submit their applications to HUD electronically or through the federal government grant portal, Grants.gov. This complies with the President's Management agenda which requires agencies like HUD, to standardize, simplify, and improve the integrity of its grant making process.



Electronic applications mean that applicants will not waste time and resources on preparing, mailing, and hand delivering applications to HUD Headquarters, field offices, or multiple locations. To participate in e-grant submissions, on Grants.gov, applicants will only need a computer with access to the Internet where application instructions and forms can be downloaded and later uploaded.

A demo has been placed on HUD's Grants page for preparing and submitting an application package using Grants.gov. Please feel free to use the HUD site to get oriented to Grants.gov and the application submission process. From using the demo you can get a sense of the process and how it will work.

The direct website address is: http://www.grants.gov/AO/Application_Package.swf. The link is on the HUD Grants page Internet website at <http://www.hud.gov/grants/index.cfm> under What's Hot! Just click on Grant Application Demonstration.

Mortgage Limits

The Basic and Maximum Statutory Mortgage Limits for FHA Multifamily Mortgage Insurance programs were increased, effective January 1, 2005. They have been posted, in table format, on the following HUD Statutory Mortgage Limits and High Cost Percentage Multipliers website:

www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm.



Neighborhood Networks Conference

The 10th Anniversary Neighborhood Networks National Training Conference will take place in Lake Buena Vista, Florida on June 29-July 1, 2005. Pre-conference sessions will start on June 27.

To learn more about this important conference, visit the Neighborhood Networks web site at: www.NeighborhoodNetworks.org or call toll-free (888) 312-2743.



Compliance Reviews

HUD has contracted with Owusu and Co. to perform compliance reviews of Use Agreements and Deed Restrictions. This year 500 reviews will be performed nationally with the schedule starting in Baltimore, Chicago, and Boston.



You will shortly be advised of this activity, in writing, by our Headquarters Office. After you receive this notification, you will be contacted by the contractor to set up a time for the actual compliance review.

Service Coordinators & Congregate Housing

Due to the ever increasing number of grants up for renewal and the limited amount of money that was received in this year's Appropriations, HUD has decided to decrease the inflationary increase permitted for the Service Coordinator and Congregate Housing grant programs. In the past HUD has allowed up to a 5% increase over the last year's expenses. In cases where

critical program costs could not be met by a 5% increase, field staff were given the authority to approve a higher increase.

For FY 2005, Grantees can request no more than a three percent (3%) increase over costs incurred during the prior year. Field staff are not permitted to grant increases above three percent. Grantees can, at a maximum, receive a dollar amount that is 3% more than last year's costs. For example, if a program spent \$40,000 during a grant term of 3/1/04-2/28/05, they can receive an extension amount that does not exceed $1.03 \times \$40,000$, which equals \$41,200 for the period 3/1/05-2/28/06. No exceptions above \$41,200 are allowed.

The amount of 3% is based on the highest factor shown for the Consumer Price Index (CPI), as reported by the Bureau of Labor Statistics for approximately the last 18 months.

Professional Liability Rating Service

As of January 31, 2005 HUD approved DEMOTECH to provide a rating service for professional liability insurance, as required by Notice H 04-15. DEMOTECH has assured HUD that its rating process will include a comprehensive financial stability analysis, a review of the operations and claims processing procedures of the insurer, a test of the quality of the insured policyholders, and a comprehensive review of risk management procedures and policies as well as other important industry wide standard measures of stability and operations. DEMOTECH officials can be contacted by calling 1-800-354-7207 or by accessing their website at www.demotech.com.



DEMOTECH will publish all ratings on its website so that HUD staff will have access to company ratings. Staff are instructed to accept "Financial Stability Ratings" for U.S. domiciled insurance entities for professional liability insurance from Demotech that is rated "A" or higher. (Note: The DEMOTECH "A" rating is comparable to a rating of "B++" from AM Best). If the Financial Stability Rating is reduced to "S" or below, the entity providing professional liability insurance will no longer be eligible to provide insurance for HUD Section 232 Projects. If a firm's rating is lowered, an operator/manager of Section 232 projects must change its professional liability insurance as soon as is practically possible, no later than the annual policy renewal date, or within 120 days, whichever is later from the date of the rating downgrade.

Lead-Paint Enforcement Action

In one of the largest enforcement actions of its kind, HUD and the EPA reached a settlement agreement with Winn Residential, L.P., to remove lead-paint hazards from 10,400 apartments in 7 states (PA, MA, CA, NY, RI, NH, VA) and DC.



Because the company failed to notify residents of potentially dangerous amounts of lead, it agreed to pay a \$105,000 civil penalty as well as to test and clean-up any lead-based paint hazards in their units. The EPA has estimated that the costs may be as high as \$3.7 million.

Overtime Laws

All apartment owners should re-evaluate their employee's job descriptions and compensation levels in light of new Department of Labor regulations that changed the rules for overtime pay.



In an effort to modernize the Fair Labor Standards Act, the DOL, in August 2004, revised the criteria for determining whether an employee is eligible for overtime pay. The FLSA requires that employers, at a minimum, pay the federal minimum wage of \$5.15/hr. (Note: Many states require compensation above this level). For every hour over 40 in a single week, compensation must be 1 1/2 times the employee's regular pay.

Section 13(a)(1), however, states that employees who meet certain tests regarding their job duties and who are paid more than \$455/wk may be exempt from overtime and minimum wage requirements. There are 3 basic duties tests: executive exemption, administrative exemption, and professional exemption.

For additional information on these tests, see the DOL's website at:
www.dol.gov/asp/programs/guide/minwage.htm.

Tip for Efficient Laundries

To save on energy costs for central laundries, you should consider installing card-operated appliances so that your operator can set a higher vender price for hot-water washes and a lower price for cold-water washes.

Neighborhood Transformation Update

The City of Philadelphia's new 5-Neighborhood Transformation Initiative was highlighted in the May 2002 issue of Philadelphia Multifamily Housing News.



Almost 2 1/2 years into this 5-year program, the following has been accomplished: "The Neighborhood Transformation Initiative has, in many cases, exceeded its expectations. We have had neighborhoods in this city within the last year (that) have literally turned the corner in desirability and livability." Michael Schurr, president of OKKS Development L.P. echoed these sentiments by saying "What we are hoping to do is create blocks where people want to be there, where they take pride in the neighborhood...without NTI, none of these things would be happening." Statistically, the following work has been accomplished to date:

*5,507 apartments and houses for low-income residents have been built or renovated (Note- the goal was 3,500 in 5 years).

*6,839 apartments and houses were built or started in large-scale developments consisting of 40 or more homes (Note- the goal was 2,000 homes in 5 years).

*13,962 homeowners have received grants or low-interest loans to repair their homes (Note- the goal was 4,500 preservation investments in 5 years).

*The initiative helped developers build or plan the construction of 7,653 market-rate homes (Note- the goal was 6,000 in 5 years).

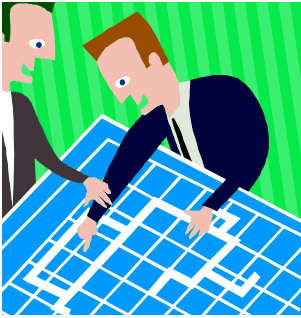
*6,885 dilapidated buildings were demolished or under contract to be demolished (note- the goal was 8,000-10,000 buildings in 5 years).

*Funding has been pledged from the following sources: \$250 million in city bond funds, \$250 million in federal funds, \$50 million in city general funds, and over \$1 million in funds from private foundations and companies.

Section 231— Rental Housing for the Elderly

Section 231, a largely dormant program over the past 10 years, is available for mortgage insurance. The only prohibition is that applications cannot have a retirement service center component.

Revival of Pittsburgh's East End



It is sometimes difficult to tell much is happening along a one-mile stretch of Penn Avenue in Pittsburgh's East End that runs from Highland Avenue to Mathilda Avenue.

Boarded up windows, graffiti and vacant buildings seem to be everywhere. Most people hurry through the area. But if they were to look closer, they

would see that things are happening in what is known as the Penn Avenue Corridor. Several commercial businesses and housing projects are helping to revitalize the area. Among the businesses are a dance studio at a former Studebaker car dealership, and a metal working company, Red Star Ironworks, at a former auto repair shop. Also in the development stage are two new restaurants, one upscale supper club and a manufacturing company.

Construction of 60 units of affordable public housing for senior citizens, for example, is slated to begin next year at the site of a former Eat'n Park, where a separate structure with up to 20 loft apartments will also be built. This project will complement two existing HUD complexes in the East End area- Pennley Park, a 38-unit Section 202 project, and Penn Circle, a 152-unit Section 8 non-insured project, as well as the construction of 140 rental units and 60 homeownership units on the site of a former HUD project, Liberty Park.

After a long period of decline, this once bustling East End commercial strip is exhibiting signs of vitality again, aided by attractive real estate prices and the fact that it has remained a heavy traffic corridor. It helps that it is wedged between two up-and-coming neighborhoods- East Liberty with its new retail stars Home Depot and Whole Foods, and Friendship with its large, newly renovated homes that are popular with families. But perhaps the most important asset is the collection of nonprofit organizations and programs that are spearheading the district's transformation. These include the Penn Avenue Arts Initiative, a program of the Friendship Development Associates that helps artists purchase buildings and start studios and businesses in them. Since 1999, the initiative has provided roughly \$130,000 in grants and loans to artists, generating some \$6.4 million in additional investment. And there is no shortage of interesting buildings available for rehabilitation at prices that are hard to pass up- some structures have been acquired for as little as \$7,000 through the initiative.

Research Works Articles

In the November/December issue of Research Works (Vol. 1, No. 3), the Office of Policy Development and Research (PD&R) published two articles regarding housing issues for populations with unique or special challenges.



The lead article, "The Importance of Program Evaluation: A Look Back at the 2001 HOPWA Evaluation and its Effects on the Program Since its Release," looks at the housing challenges that persons with HIV/AIDS face on a regular basis. The article discusses the evolution of the Housing Opportunities for Persons With AIDS (HOPWA) program, and the impact that the 2001 program evaluation has had on the program. Along the way, the article also underscores the importance of conducting program evaluations, and the positive effect these efforts can have on program funding and operations.

The second article, "Accessibility Study Measures Multifamily Conformance", highlights the Multifamily Building Conformance with the Fair Housing Accessibility Guidelines report, which was issued in 2003. This study examines the extent to which multifamily housing conforms to the Fair Housing Accessibility Guidelines published by HUD in 1991. The Guidelines are intended to provide a safe harbor for compliance with the accessibility requirements of the Fair Housing Act. The article also discusses HUD's continuing work on designing a new methodology for gathering information on conformance among multifamily buildings.

Research Works is available as a free download from HUD USER at:
www.huduser.org/periodicals/Researchworks.html.

Closings/NN Centers

The following projects closed in the Phila. Hub in February: *Insured*— Evergreen Arbors (Pittsburgh) and Park Plaza Apartments (Newark); and *Section 202/811 Finals*:

Presby Home at Franklin (Newark). In addition two Neighborhood Network Centers opened: Methouse (Pittsburgh) and Shenango Village (Pittsburgh).

